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EUR FOR DAS MATT BRYZA
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TAGS: [ENTG](#) [ETRD](#) [AJ](#) [GR](#) [TU](#) [IT](#)
SUBJECT: EDISON: PROBLEMATIC EU DECISION ON POSEIDON
PIPELINE CLEARS THE WAY FOR CONSTRUCTION AND SUPPLY
CONTRACTS

REF: A. ATHENS 1184

[1](#)B. ROME 725

[1](#)1. (U) This cable is sensitive but unclassified. Not for internet distribution.

[1](#)2. (SBU) Summary. Italian energy company Edison views the EU Commission's May 22 ruling on third party access exemption for the Poseidon pipeline as flawed but sufficient for construction to proceed. Edison's final analysis is that while the EU Commission's decision contains conditions which reflect the Commission's bias in favor of the Nabucco pipeline, it gives Edison and its Greek partner, DEPA, exclusive rights to sell natural gas imported using the Poseidon pipeline. This makes the pipeline economically viable, and allows Edison to begin negotiations for natural gas deliveries. End summary.

[1](#)3. (SBU) In a June 4 conversation with Economic Specialist Elio Ruggeri, the Edison official in charge of the "Poseidon" underwater natural gas pipeline said Edison is not satisfied with the May 22 EU Commission ruling exempting Poseidon from EU third-party access rules. (Exemption will give Edison and DEPA, Edison's Greek partner, exclusive rights to sell natural gas imported into Italy using the Poseidon pipeline. As reported in Ref B, Edison views exemption from EU third-party access requirements essential for the Poseidon pipeline to be economically feasible.) Ruggeri said the exemption from third-party access requirements contains conditions that, in Edison's view, reflect EU institutional bias in favor of the Nabucco project. However, he emphasized that Edison can now begin construction of the Poseidon pipeline and negotiations for the delivery of Azeri natural gas to Italy via Turkey and Greece.

[1](#)4. (SBU) Ruggeri focused on only one of the four Commission recommendations: that the Italian government cancel the exemption, should Edison and DEPA not complete Poseidon's construction by 2012. According to Ruggeri, this recommendation, if strictly applied, all but guarantees that the exemption will eventually be canceled. In a project the size of the Poseidon pipeline, delays are almost certain, and they may push Poseidon's completion past 2012.

[1](#)5. (SBU) That said, Ruggeri explained, Italian law could over-ride the EU recommendation. Specifically the Italian law upon which the Commission based its recommendation contains

clauses that provide for a waiver under certain conditions. Although Ruggeri did not explain the circumstances under which the law could be waived, he said GOI regulators will exercise the Italian law's flexibility. In a wider sense, however, Edison interprets the Commission's decision to include this recommendation in their decision as a symbol of continued EU preference for the Nabucco pipeline project over the Poseidon pipeline.

¶6. (SBU) Comment. Edison's confidence in the face of these additional conditions the EU Commission proposes for Poseidon's exemption from EU third-party access requirements is surprising. Ruggeri made clear that while the exemption is not all that Edison wanted, it is sufficient for Edison and DEPA to proceed with financing and building the Poseidon pipeline. Most importantly, Edison can begin negotiating natural gas supply contracts for gas to fill Poseidon when it is completed -- hopefully in 2012, or earlier. End comment. Spogli